REAL BUDGET REFORM NOW!

ILLINOIS IS BROKE.com
Illinois is Broke:
The Case for State Budget Reform
Illinois’ FY2011 Embedded Annual Budget Deficit

Annual Budget Deficit of $14 - 15 Billion

- Cash Deficit: $7-8 Billion
- Underfunded Retiree Costs: $7 Billion
- Total Annual Deficit: $14-15 Billion

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Illinois is in Financial Crisis

FY2011 Cumulative Liabilities of $160 Billion

- Retirement-related liabilities account for 80% of total
Retirement Liabilities Total $130+ Billion

Retirement Liabilities of $25,000 Per Illinois Household

$25,000 = A new car

One year of college tuition, room & board

One year of mortgage payments
Build-up of Underfunded Pension Programs

Unfunded Pension Liability and Pension Bond Debt 1998-2009

$ Billions

Illinois’ Underfunded Pensions – the Worst in the Nation

Pension Funded Ratio 2008

Fiscal Crisis is Hurting Illinois’ Credit Rating

- Moody’s
  - Downgraded
  - June 2010

- Standard & Poor’s
  - Downgraded
  - December 2009
  - Neg. CreditWatch
  - March 2010

- Fitch Ratings
  - Downgraded
  - June 2010

Result: More costly to borrow money
Illinois Ranked One of Worst States to Do Business

**Most Attractive States to Business**

<table>
<thead>
<tr>
<th>State</th>
<th>2010 Rank</th>
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</thead>
<tbody>
<tr>
<td>Texas</td>
<td>1</td>
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<tr>
<td>North Carolina</td>
<td>2</td>
</tr>
<tr>
<td>Tennessee</td>
<td>3</td>
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<tr>
<td>Virginia</td>
<td>4</td>
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<td>Nevada</td>
<td>5</td>
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<tr>
<td>Florida</td>
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<td>Georgia</td>
<td>7</td>
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<td>Colorado</td>
<td>8</td>
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<td>Utah</td>
<td>9</td>
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<tr>
<td>South Carolina</td>
<td>10</td>
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**Least Attractive States to Business**

<table>
<thead>
<tr>
<th>State</th>
<th>2010 Rank</th>
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<tbody>
<tr>
<td>Wisconsin</td>
<td>41</td>
</tr>
<tr>
<td>Hawaii</td>
<td>42</td>
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<tr>
<td>Ohio</td>
<td>43</td>
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<tr>
<td>Connecticut</td>
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<td>Illinois</td>
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<td>Massachusetts</td>
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<td>New Jersey</td>
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<tr>
<td>Michigan</td>
<td>48</td>
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<tr>
<td>New York</td>
<td>49</td>
</tr>
<tr>
<td>California</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: *Chief Executive* magazine.
Real Budget Reform Means …

• Raising taxes should be the last resort.
  ✓ Absent reforms, personal income tax increase to close gap: from 3% today to 8% tomorrow

• No new taxes without:
  ✓ Prospective pension reforms (Annual savings = $2+ Billion)
  ✓ Retiree health care reform (Annual savings = $1 Billion)
  ✓ Major budget cuts
  ✓ Realistic plan to balance the Illinois budget
Illinois Is Broke.

Let’s Fix It.

It’s time for real budget reform now.
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